U.S. Air Force Contracting

Turning Dollars & Desires into Dominant Aerospace Power!

Government Purchase Card (GPC) Program

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- **Program Overview**
- **Current Environment**
- **Program Management**
- **What's Next**
- **Role of Leadership**

Program Overview

Scope

Air Force

- **49,621 active cardholder accounts (down from 78K)**
- **20,000 approving officials**

FY 02 Statistics

- **3 million transactions**
- **$1.6 billion**
- **$11 million in rebates**
- **96% of Air Force procurement actions**

- **Completed Audits**
  - **AFAA AF-wide Audit (F2001-C06400-0086)**
    - **AFAA Audit Conclusions:**
      - **AF guidance established adequate purchase controls and oversight procedure**
      - **Accountable officials did not adhere to guidance regarding surveillance resulting in preventable deficiencies**
  - **GAO AF-wide Audit (December 2002)**
    - **GAO's Conclusion**
      - **Control Weaknesses Leave AF Vulnerable to Fraud, Waste, and Abuse**
      - **39 Recommendations**
  - **Joint Purchase Card Project – Memorandum Report**
    - **Identified 339 inappropriate or unauthorized charges**
      - **Net loss from fraudulent purchases and account number theft - $2,073 (1/20th of 1% of the $4.26M sample total)**

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- **Management Initiatives Decision (MID) 904**
  - **Generated from--**
    - **DoD Charge Card Task Force**
    - **GAO Audit recommendations**
    - **Legislation**
    - **OMB Memorandum**
  - **34 recommendations (Gov't Purchase Cards & Travel Cards)**
    - **11 recommendations apply only to Purchase cards**
    - **11 recommendations apply to both Purchase and Travel cards**
- **Quarterly Reporting to OMB**
  - **# of cardholders (CHs)**
  - **Span of control**
  - **Credit limits**
  - **Rebates**
  - **Disciplinary actions**

- **Vice Chief of Staff memo on GPC**
  - **Requested Field Commanders at all levels take an active role in the management and oversight of the GPC Program**
- **AFI 64-117 6 Dec 2002 revisions**
  - **C.A.R.E., EDI, DD 1057 data collection requirement, Annual GPC briefing to Installation Commander**
- **Training**
  - **Mandatory DAU On-line Training Module**
  - **Mandatory GSA/DoD On-line Program Manager Course**
- **SAF/AQC Policy Letter on GPC (18 Mar 2003)**
  - **Eliminate unnecessary accounts (minimize accounts)**
  - **Eliminate multiple accounts used solely to track funds**
  - **Span of control not to exceed 7:1**

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- **New audits**
- **DoD Charge Card Special Focus Group**
- **More revisions to 64-117 (MID 904 & GAO Audit)**
- **Proposed DoD Metrics**

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- **AFAA**
  - **Follow up on program controls and oversight of the GPC Program**
- **GAO (Code 192082), "Whether agencies are managing GPC Program to maximize potential savings"**
- **DoDIG (D2002LF-0101), "DoD Controls Over Purchase Cards in the Military Health System"**
- **DoDIG (D2003LH-0052), "Selected DoD Purchase Card transactions Originating Outside the United States"**

- **Co-chaired by Joanne Boutelle (Dep Chief Financial Officer) and Dee Lee (Director, Defense Procurement)**
- **Tasks**
  - **Resolution of policy and process issues associated with implementation of the MID 904 recommendations**
  - **Support development of a functional architecture to support the Financial Modernization Enterprise Architecture (FMEA)**
  - **Education and outreach plan**
  - **Consideration of the most effective and efficient structure for managing the Department's charge card programs**
- **Results to be briefed to OSD Comptroller and PDUSD (AT&L)**

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- **Surveillance reports be signed by contracting squadron commander/chief of contracting office**
- **Annual surveillance reports to include:**
  - **Ratio of CHs to AOs**
  - **Ratio of CHs to employees**
  - **Ratio of monthly spending limits to actual spending**
  - **# of AOs and CHs requiring training**
- **Documentation of independent receipt and acceptance by someone other than the CH**

Proposed DoD Metrics

- **File turn**
- **Percentage of actions under $25,000 accomplished using the card**
- **Percentage of accounts in delinquent status**
- **Percentage of organizations passing internal control reviews**
- **Percentage of "frustrated freight" resulting from purchase card shipments**
- **Percentage of non-exempted accounts using electronic certification**
- **Percentage of cardholders, reviewing/certifying officials, and agency/organization program coordinators (A/OPCs) that have completed mandatory training**

- **Leadership support is key to success**
- **Must have <u>strong</u> management, oversight & follow-up of program**
    - **Appropriate set of controls, authorities, thresholds, and processes**
- **Actively participate in program management**
    - **Support your GPC program manager**
    - **Enforce the rules**
    - **Ensure effective training and surveillance are accomplished**
    - **Terminate privileges of abusers**
    - **Refer disciplinary action to unit commanders**
    - **Cultivate base-wide leadership support**
- **Team with local AFAA & OSI to prevent & detect improprieties and fraud**

- **AFAA AF-wide Audit (F2001-C06400-0086)**
    - **46 bases, FY 00 data**
    - **21,000 transactions based on 12 fraud indicators**
    - **Findings**
        - **Split transactions**
        - **Convenience checks >$2,500**
        - **Construction > $2,000**
        - **Recurring services >$2,500 without a contract**
        - **Computer purchases without proper approvals**
    - **AFAA Audit Conclusions:**
        - **AF guidance established adequate purchase controls and oversight procedure**
        - **Accountable officials did not adhere to guidance regarding surveillance resulting in preventable deficiencies**

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- **GAO AF-wide Audit (December 2002)**
  - **One base each: AFMC, ACC, AMC, AETC**
    - **Edwards, Nellis, Travis, Lackland**
  - **100 targeted transactions**
  - **GAO's Conclusion**
    - **Control Weaknesses Leave AF Vulnerable to Fraud, Waste, and Abuse**
    - **39 Recommendations**

- **Memorandum Report F2003-0002-FC3000, "Joint Purchase Card Project" – December 2002**
  - **DoDIG used data mining techniques to review 3.2M transactions and referred questionable ones to AFAA to investigate**
  - **AFAA reviewed 2,625 transactions totaling $4.26M at 42 locations**
  - **AFAA identified 339 inappropriate or unauthorized charges**
    - **$6,424 in potentially fraudulent CH purchase activity**
    - **$30K in third party theft of account numbers**
    - **$516K - Improper card usage (split purchase, recurring services, construction services, etc.)**
    - **Net loss from fraudulent purchases and account number theft - $2,073 (1/20th of 1% of the $4.26M sample total)**

Management Initiatives Decision (MID) 904

- **MID 904 recommendations generated from--**
  - **DoD Charge Card Task Force**
  - **GAO Audit recommendations**
  - **Legislation**
  - **OMB Memorandum**
- **34 recommendations (Gov't Purchase Cards & Travel Cards)**
  - **11 recommendations apply only to Purchase cards**
  - **11 Joint recommendation apply to both Purchase and Travel cards**
- **Recommendations Include:**
  - **Implement an overarching regulation covering charge card responsibilities within DoD**
  - **Ensure more control of charge cards when an individual leaves an organization (i.e., revise out processing procedures)**
  - **Evaluate credit-worthiness of an individual before issuing a Purchase Card or Travel Card**

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- **Recommendations (con't):**
  - **Investigate alternative methods of prosecuting fraud**
  - **Improve surveillance of GPC program through automated data mining tools**
  - **Restrict cards to no more than 1.5 million accounts DoD-wide (Purchase Cards and Travel Cards)**
  - **Establish job descriptions that identify responsibilities for CHs, AOs and A/OPCs**
  - **Establish performance standards for CHs, AOs, and A/OPCs and link these standards to performance appraisals**

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- **First Quarterly Report to OMB**
  - **# of CHs - 59K**
  - **Span of Control Ratio – Average 1.95:1**
  - **Maximization of Rebates – AF earned 85% of possible rebates**
  - **Credit Limits – 3K CHs with limits over $100K**
  - **Abuses Reported/Actions taken – 373 disciplinary actions taken**

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- **Issued 16 Jan 2003**
- **Requested Field Commanders at all levels take an active role in the management and oversight of the GPC Program**
- **Stressed the importance of timely and thorough review and reconciliation of GPC statements**
- **Stated that accounts that are not reconciled within 60 days will be automatically suspended**

AFI 64-117 Revision

- **Major Changes**
  - **C.A.R.E. EDI**
  - **Additional guidelines on purchase card as a payment tool**
  - **DD 1057 data collection requirement**
  - **Annual GPC briefing to Installation Commander**
  - **Records retention**
  - **Purchase authority up to $25,000 from priority sources of supply (GSA and DLA stock programs)**
  - **AFAA audit findings**
- **Published 6 December 02**

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- **Mandatory DAU On-line Training Module**
  - **Basic cardholder/approving official training**
  - **Module is available to all users of the DAU Continuous Learning Center at http://clc.dau.mil**

- **AFLMA Project**
  - **Program manager's reference guide**
  - **Sample cardholder and approving official training template**
  - **http://www.safaq.hq.af.mil/contracting**

- **GSA/DoD On-line Program Manager Course**
  - **http://apps.fss.gsa.gov/webtraining/trainingdocs/aopctraining/index.cfm**

- **AF OSI training on fraud detection (upcoming)**

SAF/AQC Policy Letter on GPC

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- **Issued 18 Mar 2003**
- **Eliminate unnecessary accounts (minimize accounts)**
- **Eliminate multiple accounts used solely to track funds**
- **Span of control not to exceed 7:1**
- **Suspend alternate CH and AO accounts when primary is available**
- **Mandates GSA training for GPC program managers**
- **Mandates the use of the checklist in the Surveillance Guide**
- **Cancellation of convenience check privileges for those who have repeatedly misused the checks**
- **Directs GPC managers to remind CHs and AOs of their pecuniary liability**
- **Mandates review of accounts every six months to ensure that CHs are not serving as AOs for their own accounts**

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- **Numerous recommendations that the A/OPC position be upgraded**
- **Working with Randolph to develop a Standard Core Personnel Document (SCPD)**
- **Randolph won't support a GS-11/12 position performing only GPC duties**
- **They have proposed a SCPD with just coordinator duties as a GS-6 (referring back to the two OPM classification decisions that graded the position as an 1106-6**
- **They recommend adding non-GPD duties to the SCPD**